Pursuant to the request for comments published by the Office of the United States Trade Representative, Google submits the following notice of intent to testify and proposed hearing statement in relation to Docket Number USTR-2019-0009.

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Thank you to members of the Section 301 Committee for convening today's hearing. We appreciate the opportunity to testify regarding the investigation into France's Digital Services Tax.

My name is Nicholas Bramble, and I serve as Trade Policy Counsel for Google. At Google, we are focused on making sure all Americans can use the power of the internet to find new opportunities, including through trade. Through longstanding products like Google Search and Ads, and new services like Google Market Finder, we strive to make it simpler for businesses of all sizes to grow and reach customers around the world.

International trade requires a consistent and predictable international tax system. No matter whether trade is conducted over air, sea, or the internet, businesses depend on clear rules of the road on tax and consistency across jurisdictions.

Corporate income tax is an important way that businesses contribute to the countries and communities where they operate. Google's overall global tax rate has been above 23 percent over the past 10 years, in line with the 23.7 percent average statutory rate across the member countries of the OECD. Most of these taxes are due in the U.S., where most of our products and services are developed.

This allocation of corporate tax payments is not unique to Google. American companies pay most of their taxes in the U.S. -- just as German, British, French, and Japanese firms pay the majority of their corporate taxes in their home markets. That state of affairs reflects long-standing rules about how corporate profits should be allocated among various countries, based on international consensus and an OECD model treaty that creates the framework for an interlocking system of bilateral tax treaties.

This international tax system provides predictability that enables companies, both large and small, to export and do business in multiple countries without having the same profits taxed twice or being subject to discriminatory taxation.

As our economy evolves, it is important to modernize this system. At Google, we support international tax reform driven by the OECD process, which can help guide how profits should be allocated among countries.

Countries such as the U.S. and Germany have put forward constructive proposals at the OECD to modernize tax rules and require more taxes to be paid in countries where products and

services are consumed. In fact, over 130 governments are engaged in talks aimed at modernizing the international tax system.

It is important that all countries maintain this multilateral momentum. Efforts by one country to unilaterally change the rules on how profits are allocated among countries can generate new barriers to trade and hamper economic growth.

Unfortunately, the enactment of France's Digital Services Tax threatens to undermine the OECD process. It is a sharp departure from long-established tax rules and uniquely targets a subset of businesses. French government officials have emphasized repeatedly that the DST is intended to target foreign technology companies.

Under the DST, value attributable to risks taken and decisions made in one country is being claimed by another country, without sufficient justification and outside the long-established framework for international tax policy.

The new French law would tax revenue from only a handful of e-commerce and internet businesses, on the theory that the digital economy presents new challenges and that only a handful of companies rely on digital business models. However, both the OECD and the European Commission Expert Group on Taxation of the Digital Economy have found that every sector of the economy -- ranging from manufacturing to agriculture to healthcare -- is becoming digital, and confirmed that unique tax rules targeted at digital practices simply do not make sense.

While the DST purports to target two sub-sectors of the digital economy, its impact will extend beyond those sectors. The DST is likely to harm a wide range of American and other global businesses that use digital services and ads to reach French consumers. This further underscores the need to pursue international tax reform through the multilateral OECD process.

The DST departs from prevailing standards in other ways. It unreasonably applies retroactively to January 1, 2019, which does not allow companies to plan and requires the implementation of new systems to calculate the tax. The DST applies to taxation of revenue rather than income, which increases the risk of double taxation, and more fundamentally is out of alignment with prevailing tax principles. The DST will result in unpredictable extraterritorial impact, and is likely to generate disputes on whether specific digital activities were "supplied in France" or in another region.

In contrast, other governments -- including Sweden, Ireland, and others in the EU -- have stated that a consensus-based approach to international tax policy is preferable to a unilateral DST model.

It is worth noting that the French DST model may spread to other regions. The UK has legislated its own DST, while Spain, Italy, Austria, Czechia, New Zealand, and other countries

are considering similar unilateral taxes. These countries are watching the French experience and considering whether a unilateral approach might be easier or more advantageous than pursuing a multilateral agreement at the OECD.

Ultimately, a series of cascading unilateral measures would have dangerous repercussions for the OECD's multilateral process and for a wide range of U.S. export sectors. This is a concern for international trade and the wider economy if countries follow the DST model and select specific sectors and groups of foreign companies for targeted tax policies.

We support USTR's investigation into these issues. We hope governments can avoid taking unilateral tax actions targeted at specific sectors, and instead work together to develop a consensus at the OECD around a new and modern framework for coordinated taxation.